

## Message Text

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ACTION ARA-20

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FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 2077

C O N F I D E N T I A L GUATEMALA 0798

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E.O. 11652: GDS

TAGS: ETRN, GT, US

SUBJECT: DELTA-FLOMERCA SHIPPING PROBLEM

FOLLOWING REPLIES TO QUESTIONS RAISED REFTEL:

1. FLOMERCA MANAGEMENT: ALL DIRECTORS EXCEPT CLAUDIO RIEDEL MEMBERS OF RULING GOVERNMENT COALITION MLN PARTY. GABRIEL MARTINEZ DE ROSAL, PRESIDENT, ONE OF MLN FOUNDERS. ACCORDING TO INDUSTRY SOURCES NO TECHNICIANS IN FLOMERCA TOP MANAGEMENT. NO MATTER OUTCOME OF ELECTIONS, FLOMERCA TOP MANAGEMENT CANNOT BE CHANGED UNTIL AUGUST WHEN FLOMERCA FISCAL YEAR ENDS AND BOARD RENEWED. ACCORDING CHAMBER OF COMMERCE PRESIDENT NANNE, CORFINA(GOG INDUSTRIAL FINANCE CORP.) WHICH HOLDS GOG SHARES IN FLOMERCA SELECTS BOARD. NANNE EXPECTS THAT THREE PRIVATE INDUSTRY MEMBERS ON CORFINA'S BOARD CAN BE EXPECTED OPPOSE REAPPOINTMENT OF CURRENT FLOMERCA BOARD. THIS ASIDE, FLOMERCA MANAGING DIRECTOR MIRON PURPORTEDLY STATED HE WISHES LEAVE FLOMERCA IN JUNE NO MATTER OUTCOME OF ELECTIONS TO RETURN TO MANAGING HIS RANCH. IF OPPOSITION CANDIDATE ELECTED, FLOMERCA MANAGEMENT WILL BE CHANGED IN AUGUST. RIEDEL DIRECTOR REPRESENTS PRIVATE SHAREHOLDERS, WHO HOLD LESS THAN 1 PERCENT OF TOTAL FLOMERCA SHARES.

2. LEGISLATION: NO PRESENT POSSIBILITY OF GOG ACTION TO  
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EASE CURRENT LEGISLATION RE RESERVED CARGO. NO ACTION

FEASIBLE UNTIL AFTER ELECTIONS. AS REPORTED LAST MARCH (SEE GUATEMALA 1413), BILL BACKED BY CHAMBER OF COMMERCE WHICH WOULD ABOLISH RESERVE CARGO LEGISLATION STILL LYING DORMANT IN CONGRESS. BILL WAS REACTION TO ONE FLOMERCA HAD PROPOSED WHICH CALLED FOR MORE RESTRICTIVE CARGO LEGISLATION THAN THAT NOW IN EFFECT. STRONG PRIVATE SECTOR OPPOSITION LED BY CHAMBER BLOCKED FLOMERCA BILL. CHAMBER'S BILL AIMS REPLACE ASSOCIATION STATUS REVENUE PRODUCING AGREEMENTS FOR FLOMERCA WITH 3 PERCENT MERCHANT MARINE "TAX" (DEVELOPMENT FUND) ON ALL CARGO BOUND TO AND FROM GUATEMALA. ALTHOUGH BILL AS CURRENTLY CONCEIVED WOULD EXEMPT GUATEMALAN FLAG LINES, CHAMBER OF COMMERCE SPONSORS TOLD EMBOFF THEY FORESEE NO DIFFICULTY IN CHANGING THIS PROVISION SO THAT ALL CARRIERS EQUALLY AFFECTED. SPANISH COPY THIS BILL BEING AIR POUCHED. FLOMERCA OFFICIALS STRONGLY OPPOSED THIS MEASURE, PROBABLY, ACCORDING TO INDUSTRY SOURCES, BECUASE THEY HAVE VESTED INTEREST IN PRESERVING STATUS QUO. GIVEN MLN AFFILIATION OF FLOMERCA MANAGEMENT THEY WERE ABLE STALL PASSAGE OF THIS BILL.

3. HOUSTON/NEW ORLEANS-GUATEMALAN PORTS CARGO: IN 1973 TOTAL GENERAL CARGO FROM THESE U.S. PORTS TO GUATEMALA WAS 51,091M.T., TOTAL BULK CARGO 18,527M.T.(MAINLY WHEAT). FREIGHT VALUE UNKNOWN. NO BREAKDOWN AVAILABLE RE PERCENTAGE OF CARGO THAT IS INCENTIVE AND THAT WHICH RESERVED. BULK CARGO, WHICH IS IN NON-RESERVED CATEGORY, WAS TRANSPORTED BY MARINE EXPRESS. OF GENERAL CARGO, 68.8 PERCENT TRANSPORTED BY GUATEMALAN FLAG LINES: FLOMERCA 21,070M.T. AND ARMAGUA 13,697 M.T. REMAINDER TRANSPORTED BY HONDURAN LINE, MARINE EXPRESS AND DELTA(144M.T.). PERCENTAGE BREAKDOWN DOES NOT NECESSARILY REFLECT STRAIGHT BREAKDOWN OF RESERVED CARGO VS UNRESERVED CARGO AS GUATEMALAN FLAG LINES PROBABLY CARRIED SOME UNRESERVED CARGO WHILE NON-FLAG LINES CARRIED ONLY THIS TYPE CARGO. UNITED FRUIT SHIPPING AGENT STATED THAT GUATEMALAN LINES USE MONOPOLY POSITION ON RESERVED CARGO TO CHARGE HIGH RATES FOR NORMALLY LOW RATE ITEMS.

4. "DELICATE" ASPECTS: MANY STORIES CIRCULATE ABOUT SORDID BUSINESS DEALINGS OF FLOMERCA WHICH WE ARE STILL INVESTIGATING. CONFIDENTIAL

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5. ARMAGUA: OWNER: JOSE LUIS CORONADO ALVAREZ. AUTHORIZED PAID-IN CAPITAL: \$200,000. OWN ONE SHIP S.S. PETEN, CHARTER AN-OTHER. CORONADO ALLEGEDLY DOES NOT HAVE CAPITAL TO FINANCE FIRM'S OPERATIONS. SPECULATION IS THAT UITERWYK FINANCING ARMAGUA BEHIND THE SCENES. SAME SOURCES REPORT NO CONNECTION BETWEEN FLORMERCA AND ARMAGUA MANAGEMENT.

6. OTHER: FLOMERCA'S AUTHORIZED PAID-IN CAPITAL IS \$5 MILLION OF WHICH ALMOST \$2.5 MILLION SUBSCRIBED. FLOMERCA'S RECENT PROFITABILITY (IN RED UNTIL 1971) STEMS FROM ROYALTY PAYMENTS RECEIVED FROM SHIPPING COMPANIES HAVING ASSOCIATE STATUS. IN FLOMERCA'S LAST FISCAL YEAR, UNITED FRUIT SHIPPING AGENT REPORTS IT MADE AROUND \$350,000 PROFIT WHICH SLIGHTLY LOWER THAN INCOME RECEIVED IN FORM OF ROYALTY PAYMENTS FROM ASSOCIATED LINES; THUS FLOMERCA SHIPPING OPERATIONS STILL A MONEY LOSER.

7. ASSESSMENT AND RECOMMENDATIONS: LOCAL SHIPPING AGENTS ARE ANXIOUS FOR FLOMERCA TO GET ITS DUE AND HOPE THAT DELTA WILL SUCCEED IN THIS WHERE THEY HAVE FAILED. ADDITIONALLY, CHAMBER PRESIDENT NANNE TOLD EMBOOFF THAT ALL IMPORTERS, INCLUDING INDUSTRIAL END-USERS, DESIROUS OF ELIMINATING CURRENT RESERVE CARGO LEGISLATION WHICH FORCES THEM TO PAY UNNECESSARILY HIGH FREIGHT RATES HOWEVER, IT CLEAR THAT IF GUATEMALA WISHES HAVE NATIONAL SHIPPING LINE, WHICH GOG DOES, FLOMERCA MUST BE AFFORDED ASSURED REVENUE SOURCE. GIVEN LOCAL SITUATION TWO WAYS OF PROVIDING THIS: ONE IS CURRENT ASSOCIATION TYPE AGREEMENTS; OTHER IS MERCHANT MARINE DEVELOPMENT FUND AS PROPOSED BY CHAMBER OF COMMERCE. FLOMERCA MANAGEMENT PREFERS CURRENT METHOD FOR REASONS STATED ABOVE. INTERJECTION OF DELTA PROBLEM WITH POSSIBILITY OF FMC ACTION AGAINST FLOMERCA ALTERS STATUS QUO AND THREATEN GENERATE BILATERAL USG-GOG PROBLEM SINCE GOG MOST PROBABLY WILL FEEL COMPELLED DEFEND FLOMERCA INTERESTS.

CONFRONTATION SITUATION MAY BE AVOIDED, HOWEVER IF AFTER ELECTIONS CHAMBER OF COMMERCE SPONSORED BILL APPROVED BY CONGRESS. NANNE BELIEVES EMBASSY APPROACH TO GOG OFFICIALS IN MARCH COULD RESULT IN FAVORABLE CONGRESSIONAL ACTION ON CHAMBER BILL. WE BELIEVE CHAMBER BILL ONLY VIABLE ALTERNATIVE TO OVERCOMING IMPENDING SHOWDOWN WITH GOG OVER FLOMERCA-DELTA PROBLEM. THEREFORE, CONFIDENTIAL

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ALTHOUGH WE DO NOT BELIEVE THAT OUR ACTION ALONE WILL BE DECISIVE, WE DO BELIEVE IT MAY BE HELPFUL AND ACCORDINGLY THAT WE SHOULD APPROACH GOG AUTHORITIES RE THIS SOON AFTER MARCH ELECTIONS.  
MELOY

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## Message Attributes

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